

BEGIN - DECEMBER 31, 1961

30.24-2595

1136 URGENT

AMS BUDGET

3074
BY PRESTON GROVER
MOSCOW, MONDAY, JAN. 1 (AP)-IN AN ATMOSPHERE NOTABLE FOR ITS ABSENCE OF RANCOR, PREMIER KHRUSHCHEV OPENED THE NEW YEAR TODAY WITH ASSURANCES "THE SOVIET UNION WILL DO EVERYTHING POSSIBLE TO AVOID THE THREAT OF WAR IN 1962."

IN ONE OF THE SHORTEST TOASTING SESSIONS OF HIS REGIME, KHRUSHCHEV, PINK-CHEEKED AND HOARSE, DECLARED: "THE MAIN ACHIEVEMENTS DURING 1961 WAS THAT ON MOST OF THE PLANET THERE WAS NO WAR."

THEN HE MADE A BRIEF TOAST TO THE AMBASSADORS ATTENDING THE TRADITIONAL HUGE NEW YEAR'S RECEPTION AT THE KREMLIN IN THE BIG NEW DINING HALL ATOP THE CONGRESS BUILDING. THAT WAS THE END OF THE TOASTING, WHICH FREQUENTLY RUNS ON FOR AN HOUR OR MORE AND OFTEN IS AN OCCASION FOR HURLING BARBS AT THE WEST.

KHRUSHCHEV PRAISED THE AMBASSADORS AS "THOSE PEOPLE WHOSE PROFESSIONAL DUTY IT IS TO SECURE PEACE."

THE AMBASSADORS, WHO HAD BEEN SEATED AT DINNER TABLES RUNNING AT RIGHT ANGLES TO THE TABLE OCCUPIED BY KHRUSHCHEV AND MEMBERS OF THE SOVIET PRESIDUM, THEN GOT UP AND ONE BY ONE CLINKED GLASSES WITH ALL MEMBERS OF THE SOVIET GOVERNMENT.

"IT WAS A CALM, FRIENDLY EVENING," SAID AN IMPORTANT WESTERN AMBASSADOR. WHO NOTED THAT LAST YEAR KHRUSHCHEV GAVE A LARGE NUMBER OF TOASTS, MANY WITH BARBS IN THEM FOR WESTERN COUNTRIES.

THIS YEAR THERE WERE NO BARBS AT ALL AND KHRUSHCHEV WENT OUT OF HIS WAY TO EXCHANGE A FEW WORDS WITH U.S. AMBASSADOR LLEWELLYN THOMPSON. NEARLY 3,000 GUESTS WERE SEATED FOR A DINNER THAT INCLUDED MANY DELICACIES OF THE RUSSIAN CUISINE.

TWO BIG YULE TREES, RICHLY DECORATED, STOOD ON EITHER SIDE OF THE DINING ROOM. WINE, VODKA, COGNAC AND CHAMPAGNE--ALL RUSSIAN MADE--WERE ON EVERY TABLE.

THIS IS THE YEAR'S BIGGEST COMMUNIST BANQUET, AND THE PARTY FAITHFUL COVET INVITATIONS.

AT MIDNIGHT THE KREMLIN BELLS SOUNDED, THE SOVIET NATIONAL ANTHEM WAS PLAYED AND DINNER ENDED. THEN THE BIG CONGREGATION MADE ITS WAY THROUGH THE GALLERIES OF OLD CHURCHES AND PALACES TO THE HALL OF ST. GEORGE FOR DANCING.

KHRUSHCHEV SLIPPED OUT BRIEFLY, TAKING HIS WIFE WITH HIM--REPORTEDLY FOR A FAMILY PARTY.

SCATTERED AT VARIOUS OF THE NON-OFFICIAL TABLES WERE SEVERAL TO WHOM THE YEAR 1961 HAD BROUGHT POLITICAL DISASTER. AGING MARSHAL KLEMENTI VOROSHILOV, THE FORMER PRESIDENT WHO WAS PUBLICLY SCOURGED AS A MEMBER OF THE ANTI-PARTY GROUP HEADED BY FORMER FOREIGN MINISTER V.A. MOLOTOV, WAS PRESENT, RED-FACED AND EXUDING JOVIALITY. SCORES OF PEOPLE CAME UP TO GREET VOROSHILOV.

MINISTER OF CULTURE EKATERINA FURTSEVA, ALSO OUSTED FROM THE PRESIDUM, WAS SEATED AT A TABLE RESERVED FOR LESSER DIGNITARIES. SHE SHOWED DEFINITE SIGNS OF THE ILLNESS THAT SENT HER TO THE HOSPITAL AFTER THE OCTOBER CONGRESS WHICH PUT HER OUT OF THE HIGHEST POST A WOMAN EVER OCCUPIED IN THE SOVIET UNION.

IN ONE OF HIS TOASTS, KHRUSHCHEV SAID GRANDFATHER FROST, THE RUSSIAN VERSION OF SANTA CLAUS, HAD BROUGHT MANY GOOD THINGS TO THE SOVIET UNION DURING 1961. THESE INCLUDED THE TWO COSMONAUTS WHO HAD GIRDLED THE EARTH IN SPACE SHIPS, YURI GAGARIN AND GHERMAN TITOV. BOTH WERE AT THE PARTY.

AMONG OTHER THINGS KHRUSHCHEV CREDITED TO GRANDFATHER FROST WAS A

9 PER CENT INCREASE IN INDUSTRIAL PRODUCTION OVER THE PRECEDING YEAR AND ENOUGH NEW HOUSES AND APARTMENTS TO BUILD 10 CITIES THE SIZE OF GORKY, WHICH HAS A POPULATION OF ONE MILLION. THEN HE ADDED, WHILE THE AUDIENCE LAUGHED: "THERE WERE 5 MILLION MARRIED AND 5 MILLION CHILDREN."

ROLF SOLLMAN, SWEDISH AMBASSADOR AND DEAN OF THE DIPLOMATIC CORPS, RESPONDED TO KHRUSHCHEV'S TOASTS BY WISHING THAT "1962 WILL BE THE YEAR OF SUCCESSFUL NEGOTIATIONS."

A57WX

MJ943PES

(300) FIRST LEAD KENNEDYS

BY WHITNEY SHOEMAKER

PALM BEACH, FLA., DEC. 31 (AP)-AT THE CLOSE OF A TROUBLED YEAR, PRESIDENT KENNEDY TODAY REMINDED SOVIET PREMIER NIKITA S. KHRUSHCHEV OF THEIR JOINT AND GRAVE RESPONSIBILITY FOR STRENGTHENING THE BASE OF PEACE IN 1962.

IN AN EXCHANGE OF MESSAGES WITH THE COMMUNIST LEADER, KENNEDY PLEDGED THE BEST EFFORT OF THE UNITED STATES IN THE COMING YEAR TO IMPROVE RELATIONS BETWEEN THE TWO NATIONS AND RELIEVE GLOBAL TENSIONS.

KHRUSHCHEV, IN A MESSAGE TO KENNEDY MADE PUBLIC BY THE PALM BEACH WHITE HOUSE, MADE THE SAME KIND OF PLEDGE.

THIS WAS THE SECOND NEW YEAR'S EVE TRADE OF HOPEFUL EXPRESSIONS BETWEEN KENNEDY AND KHRUSHCHEV. THEY DID SO ON DEC. 31, 1960, WHEN KENNEDY WAS SPENDING THE HOLIDAYS HERE AS PRESIDENT-ELECT.

KENNEDY ALSO ADDRESSED A MESSAGE TO U.S. MEN IN UNIFORM SERVING ABROAD. HE PROPOSED THIS NEW YEAR'S RESOLUTION:

"TO SHOW DEDICATION TO OUR HIGHEST NATIONAL IDEALS BY LIVING AND WORKING IN WAYS WHICH WILL BEST ILLUSTRATE THESE IDEALS TO OTHERS."

KENNEDY AND THE FIRST LADY CALLED ON HIS AILING FATHER, JOSEPH P. KENNEDY, AFTER ATTENDING HIGH MASS THIS MORNING.

THE PRESIDENT MADE A SECOND TRIP TO THE HOSPITAL BEFORE GOING TO DINNER THIS EVENING AND REMAINED ABOUT HALF AN HOUR. ACTOR PETER LAWFORD, A BROTHER-IN-LAW, WAS ANOTHER EVENING VISITOR.

OTHER MEMBERS OF THE CLAN ALSO DROPPED BY THE HOSPITAL TO KEEP THE ELDER KENNEDY'S SPIRITS HIGH. HE REPORTEDLY IS IMPROVING SO WELL FROM A PARTLY PARALYZING STROKE THAT HE MAY BE ABLE TO LEAVE THE HOSPITAL IN A FEW WEEKS FOR A PROGRAM OF REHABILITATION AT HOME.

PROGRESS REPORTS MADE NEW YEAR'S EVE A HAPPIER OCCASION FOR THE KENNEDYS THAN THEY HAD ANTICIPATED A WEEK AGO.

THE PRESIDENT BOARDED THE YACHT "HONEY FITZ" AT 12:30 P.M. FOR A LEISURELY CRUISE SOUTHWARD ON LAKE WORTH. AFTER TRAVELLING SEVEN OR EIGHT MILES THE CRAFT TURNED BACK.

APPROACHING THE PIER ON THE RETURN TRIP, THE YACHT HALTED SEVERAL HUNDRED FEET OFFSHORE AND KENNEDY FISHED FROM THE AFTERDECK A FEW MINUTES. HIS LINE HAD NO APPEAL FOR THE FISH AND HE TURNED HIS ROD OVER TO ANOTHER MEMBER OF THE PARTY.

TWO OR THREE OTHERS IN THE PRESIDENTIAL GROUP FISHED WITHOUT HAVING ANY LUCK DURING THE 20-MINUTE HALT BEFORE THE YACHT DOCKED.

THE CHIEF EXECUTIVE, WHO WILL CONFER WITH VICE PRESIDENT LYNDON B. JOHNSON AND DEFENSE LEADERS TUESDAY AND WEDNESDAY ON THE NATION'S MILITARY STRENGTH, SCHEDULED NO MEETINGS FOR EITHER TODAY OR TOMORROW.

PRESS SECRETARY PIERRE SALINGER SAID THE PRESIDENT AND MRS. KENNEDY WERE JOINING OTHER MEMBERS OF THE FAMILY VACATIONING IN PALM BEACH--

ALL THE IMMEDIATE KINFOLK EXCEPT ATTY. GEN. AND MRS. ROBERT F. KENNEDY--FOR DINNER AND DANCING TONIGHT AT THE BEACH-FRONT ESTATE OF MR. AND MRS. CHARLES WRIGHTSMAN.

IT WAS DISCLOSED TODAY THAT PRESIDENT KENNEDY WILL LEAVE HERE NEXT SATURDAY TO ATTEND A FUND-RAISING DINNER IN COLUMBUS, OHIO, FOR GOV. MICHAEL DI SALLE.

THE FOLLOWING DAY, MRS. KENNEDY WILL RETURN TO WASHINGTON WITH THEIR TWO CHILDREN. SHE HAS BEEN HERE SINCE DEC. 18 WHEN SHE AND THE PRESIDENT RETURNED FROM THEIR BRIEF SOUTH AMERICAN VISIT. KENNEDY INTERRUPTED HIS STAY TO CONFER FOR TWO DAYS IN BERMUDA WITH BRITISH PRIME MINISTER HAROLD MACMILLAN.

AT THE SERVICE, THE RT. REV. MSGR. JEREMIAH P. O'MAHONEY PRAYED FOR "A HAPPY AND PROSPEROUS NEW YEAR" FOR THE PRESIDENT AND THE STRENGTH TO CARRY HIS BURDENS OF OFFICE.

FROM ST. EDWARD'S ROMAN CATHOLIC CHURCH IN DOWNTOWN PALM BEACH, THE PRESIDENT AND FIRST LADY MOTORED DIRECTLY TO ST. MARY'S HOSPITAL IN NEIGHBORING WEST PALM BEACH. THEY SPENT ABOUT 20 MINUTES WITH 73-YEAR-OLD JOSEPH P. KENNEDY.

THE PRESIDENT'S FATHER, HOSPITALIZED BY A STROKE SINCE DEC. 19, HAS BEEN REPORTED IMPROVING AT SUCH A PACE HE MAY BE ABLE TO LEAVE THE HOSPITAL IN A FEW WEEKS. MRS. SARGENT SHRIVER, A DAUGHTER OF THE FORMER AMBASSADOR TO GREAT BRITAIN, SAID HE SEEMED FINE THIS MORNING.

MRS. SHRIVER TOOK HER 2 1/2-YEAR-OLD SON, TIMOTHY, UP TO THE HOSPITAL ROOM TO SAY HELLO TO THE ELDER KENNEDY. TIM IS THE SECOND GRANDCHILD KNOWN TO HAVE VISITED THE AILING MULTIMILLIONAIRE. CAROLINE, THE PRESIDENT'S 4-YEAR-OLD DAUGHTER, HAS SEEN HER GRANDFATHER TWICE.

MRS. ROSE KENNEDY, THE SENIOR KENNEDY'S WIFE, ALSO VISITED HIM THIS MORNING. SHE LEFT JUST BEFORE THE PRESIDENT AND FIRST LADY ARRIVED.

AS HE DEPARTED, KENNEDY PAUSED MOMENTARILY BY HIS CONVERTIBLE AND WAVED AS AMATEUR PHOTOGRAPHERS IN THE CLUSTER OF SPECTATORS BY THE HOSPITAL DOOR SNAPPED PICTURES.

MRS. KENNEDY WORE A YELLOW WOOL SUIT AND BEIGE KERCHIEF. SHE KNELT IN PRAYER THROUGH MUCH OF THE SERVICE AT ST. EDWARD'S WHERE SHE AND THE CHIEF EXECUTIVE OCCUPIED A PEW NINE ROWS FROM THE REAR. MRS. STEPHEN SMITH AND MRS. PETER LAWTON, SISTERS OF THE PRESIDENT, SAT IN ANOTHER PEW FARTHER BACK.

TOGETHER WITH SOME 350 OTHERS, THEY HEARD THE REV. ARTHUR P. FINAM, A REDEMPTORIST PRIEST FROM WASHINGTON, URGE THE PARISHIONERS TO DEVOTE MORE TIME TO WORSHIP.

FATHER FINAM MADE A JESTING REFERENCE TO KENNEDY'S 1960 ELECTION OPPONENT, FORMER VICE PRESIDENT RICHARD M. NIXON.

THE VISITING PRIEST SAID HE HAD BEEN ASSOCIATED WITH THE NAVY FOR 20 YEARS, AND ON HEARING MSGR. O'MAHONEY PREDICT ONLY ABOUT 60 WOULD APPEAR AT AN AFTERNOON HOLY HOUR BEGGED THE PASTOR'S FORGIVENESS FOR SLIPPING INTO NAVY LINGO AND EXCLAIMED: "THE HELL YOU SAY."

TO THE CONGREGATION HE ADDED: "I HOPE NOBODY REPORTS ME TO MR. NIXON OR HE WILL THINK I AM A BLOOD RELATIVE OF HARRY TRUMAN." NIXON HAS REPROACHED FORMER PRESIDENT TRUMAN FOR SPEAKING SOMETIMES IN SALTY LANGUAGE.

KENNEDY, MOVING INTO HIS SECOND YEAR AS PRESIDENT, IS UNDERSTOOD TO FEEL THE HAZARDS TO PEACE HAVE NOT DIMINISHED IN THE LAST 12 MONTHS. MEN WHO HAVE TALKED WITH HIM IN RECENT DAYS SAY HE BELIEVES THE COMMUNISTS SUFFERED REVERSES BUT THERE HAS BEEN NO REAL PROGRESS IN EASING TENSIONS WITH THE SOVIET UNION.

THE CHIEF EXECUTIVE ALSO REPORTEDLY FEELS, IN THE CASE OF A DRAMATIC SYMBOL OF THE EAST-WEST SPLIT, THAT AN EFFORT BY THE ALLIES TO TEAR DOWN THE COMMUNIST-BUILT WALL IN BERLIN WOULD HAVE TOUCHED OFF MILITARY ACTION.

AROUND THE WORLD, HE IS SAID TO BE DEDICATED TO THE PRINCIPLE OF INDEPENDENCE FOR ALL NATIONS--THEY KEY TO WHAT HE TERMS THE GRAND DESIGN OF U.S. POLICY.

"THE YEAR WHICH IS ENDING HAS BEEN A TROUBLED ONE," KENNEDY SAID IN HIS MESSAGE TO KHRUSHCHEV AND PRESIDENT LEONID BREZHNEV OF THE SUPREME SOVIET. "IT IS MY EARNEST HOPE THAT THE COMING YEAR WILL STRENGTHEN THE FOUNDATIONS OF WORLD PEACE AND WILL BRING AN IMPROVEMENT IN THE RELATIONS BETWEEN OUR COUNTRIES, UPON WHICH SO MUCH DEPENDS. IT IS OUR GRAVE RESPONSIBILITY TO FULFILL THAT HOPE."

KHRUSHCHEV AND BREZHNEV, IN A MESSAGE DATED DEC. 29, DECLARED PEACE OR WAR HINGES LARGELY ON SOVIET-AMERICAN RELATIONS. THE SOVIET PEOPLE HOPE, THEY SAID, THAT THE TWO COUNTRIES WILL FIND IN 1962 A BASIS FOR CONCERTED EFFORT FOR THE GOOD OF HUMANITY.

"ON THE PART OF THE SOVIET UNION, AS BEFORE, THERE WILL BE NO LACK OF RESOLUTION TO DO EVERYTHING IN ITS POWER TO ENSURE DURABLE AND LASTING PEACE ON OUR PLANET," THE MOSCOW MESSAGE SAID.

A148

(130)

SECOND LEAD NEW YEAR'S AROUND THE WORLD BUDGET A24
MOSCOW, MONDAY, JAN. 1 (AP)--THE SOVIET UNION USHERED IN THE NEW YEAR TODAY WITH ASSURANCES FROM THE MAN AT THE TOP THAT MOSCOW WILL MAKE EVERY POSSIBLE EFFORT TO AVOID THE THREAT OF WAR IN 1962.

THE PROMISE CAME FROM PREMIER KHRUSHCHEV IN ONE OF THE SHORTEST TOASTING SESSIONS OF HIS REGIME. AT THE TRADITIONAL DIPLOMATIC RECEPTION AT THE KREMLIN, KHRUSHCHEV, SPEAKING IN AN ATMOSPHERE NOTABLE FOR ITS ABSENCE OF BITTERNESS AND JIBES AT THE WEST, DECLARED:

"THE SOVIET UNION WILL DO EVERYTHING POSSIBLE TO AVOID THE THREAT OF WAR IN 1962."

HE MADE A BRIEF TOAST TO THE AMBASSADORS AT THE PARTY, PRAISED THEM AS PEOPLE WHOSE DUTY IS TO SEEK PEACE, THEN SLIPPED AWAY WITH HIS WIFE--REPORTEDLY HEADED FOR A FAMILY PARTY.

THE RECEPTION FOLLOWED A DAY OF ROSY SOVIET PREDICTIONS OF A GREAT NEW YEAR IN SPACE, A CLAIM ON THE FUTURE AND A FLOOD OF GREETINGS TO COMMUNISTS AROUND THE WORLD.

THE PRESS SPOKE OF NEW MANNED FLIGHTS INTO SPACE IN 1962 AND TRUD, THE TRADE UNION NEWSPAPER, FLATLY DECLARED "THE FUTURE BELONGS TO US." TRUD ASSERTED "THE DOOMED WORLD OF CAPITALISM WILL BE UNABLE TO DEFEND ITSELF, EVEN WITH NUCLEAR WEAPONS, FROM THE IMMUTABLE COURSE OF HISTORICAL DEVELOPMENT."

THE DEFENSE MINISTRY NEWSPAPER RED STAR ALSO FORESAW NEW SPACE SUCCESSES BUT ADDED THAT QUESTIONS OF WAR AND PEACE TROUBLED THE RUSSIAN PEOPLE. THE PAPER DECLARED THE NATION WAS OBLIGED TO BUILD UP ITS DEFENSE BECAUSE OF WARMONGERS.

FIDEL CASTRO'S CUBA WON A PARTICULAR PLACE IN THE HEARTS OF SOVIET LEADERS SEEING OUT THE OLD YEAR.

FROM PREMIER KHRUSHCHEV ON DOWN THE KREMLIN'S BIGWIGS HAILED THE THIRD ANNIVERSARY OF CUBA'S REVOLUTION AND PLEDGED FIRM SUPPORT IN THE FUTURE.

A MESSAGE TO THE CUBAN LEADER BY KHRUSHCHEV AND PRESIDENT LEONID BREZHNEV WAS BROADCAST OVER RADIO MOSCOW. IT SAID IN PART:

"ANY NEW ATTEMPTS TO ORGANIZE AN ARMED ATTACK ON FREE CUBA WILL BE DOOMED TO INEVITABLE AND COMPLETE FAILURE."

THE MESSAGE NOTED THAT "A TRULY FRATERNAL FRIENDSHIP" HAD GROWN UP BETWEEN MOSCOW AND HAVANA.

RED CHINA, OFTEN AT ODDS WITH MOSCOW IN THE INS AND OUTS OF IDEOLOGICAL DIFFERENCES, WAS NOT FORGOTTEN IN THE SPURT OF YEAR-END SOLIDARITY.

KHRUSHCHEV AND BREZHNEV WISHED THE COMMUNIST CHINESE LEADERS AND PEOPLE "NEW SUCCESSES" IN BUILDING COMMUNISM.

A LARGE SECTION OF PRAVDA, THE COMMUNIST PARTY NEWSPAPER, WAS DEVOTED TO MESSAGES FROM THE GOVERNMENT CONGRATULATING VARIOUS AREAS FOR FULFILLING THEIR PRODUCTION PLANS.

--DASH--

BERLIN, DEC. 31 (AP)--MAJ. GEN. ALBERT WATSON II, THE U.S. COMMANDER IN BERLIN. TODAY FLEW BY HELICOPTER TO THE SMALL ENCLAVE OF

STEINSTUECKEN TO WISH ITS 200 INHABITANTS A HAPPY NEW YEAR. HE ALSO SPOKE TO THE SMALL GROUP OF U.S. MILITARY POLICE STATIONED IN THE AMERICAN SECTOR HAMLET SURROUNDED BY COMMUNIST EAST GERMAN TERRITORY.

--DASH--
VATICAN CITY, DEC. 31 (AP)-POPE JOHN XXIII RECITED THE ANGELUS PRAYER TODAY FROM THE WINDOW OF HIS APARTMENT IN THE VATICAN PALACE, THEN WISHED A CROWD OF ABOUT 10,000 A HAPPY NEW YEAR. HE TOLD THE CROWD, GATHERED IN ST. PETER'S SQUARE BELOW THE WINDOW: "A GOOD YEAR END AND A GOOD BEGINNING."

DURING THE EVENING 5,000 PERSONS PARADED BY TORCHLIGHT IN THE SQUARE TO WISH THE PONTIFF A HAPPY NEW YEAR IN A TRADITIONAL TURNOUT OF CITY WORKERS. THE POPE IMPARTED HIS BLESSING.

--DASH--
TOKYO, DEC. 31 (AP)-PRIME MINISTER HAYATO IKEDA SAID IN NEW YEAR'S GREETINGS TO PREMIER KHRUSHCHEV THAT IT WAS UP TO THE MAJOR POWERS "RESPONSIBLE FOR MANKIND'S WELFARE AND PEACE" TO UNITE THEIR EFFORTS SO THE HOPES OF PEACE LOVING PEOPLES EVERYWHERE WILL BE REALIZED.

--DASH--
OTTAWA, DEC. 31 (AP)-PRIME MINISTER JOHN DIEFENBAKER TOLD CANADIANS TODAY IN A NEW YEAR'S MESSAGE THAT 1962 IS "BRIGHT WITH PROSPECTS OF GROWTH AND EXPANSION OF THE ECONOMY." DECLARING CANADIANS CAN BE PROUD OF NATIONAL PROGRESS DURING THE PAST YEAR, HE SAID: "THE YEAR HAS CLOSED ON A STRONG NOTE ECONOMICALLY, THE LATER MONTHS OF THE YEAR BEING MUCH IMPROVED OVER THE PAST."

--DASH--
TAIPEI, FORMOSA, DEC. 31 (AP)-PRESIDENT CHIANG KAI-SHEK IN A NEW YEAR MESSAGE SAID TODAY HIS CHINESE NATIONALIST GOVERNMENT MUST HAVE TOTAL MOBILIZATION TO RECOVER THE RED-RULED MAINLAND. HE URGED THE PEOPLE ON THE MAINLAND TO REVOLT, PLEDGING FULL SUPPORT FROM FORMOSA.

LONDON, DEC. 31 (AP) - PREMIER KHRUSHCHEV URGED PRIME MINISTER MACMILLAN TONIGHT TO HELP SOLVE PROBLEMS OF A GERMAN PEACE TREATY AND THE EAST-WEST ARMS RACE IN THE COMING YEAR.

THE SOVIET PREMIER IN A MILDLY-WORDED NEW YEAR MESSAGE SAID: "MY COLLEAGUES IN THE GOVERNMENT AND I PERSONALLY STILL BELIEVE THAT THE EFFORTS AND COMMON SENSE OF STATESMEN RESPONSIBLE FOR THE DESTINIES OF PEACE CAN INSURE THE SETTLEMENT OF OUTSTANDING PROBLEMS AND PREVENT THE SLIDING TOWARDS CATASTROPHE," HE SAID IN A NEW YEAR'S MESSAGE.

KHRUSHCHEV'S BROADCAST BY MOSCOW RADIO, WAS LACED WITH EXPRESSIONS OF GOOD WISHES FOR "THE PROSPERITY AND HAPPINESS" OF MACMILLAN PERSONALLY, HIS GOVERNMENT AND THE PEOPLE OF BRITAIN. "I SHOULD LIKE TO EXPRESS THE HOPE," HE SAID, "THAT LIKE THE U.S.S.R., BRITAIN WILL MAKE HER CONTRIBUTION TO SOLVING SUCH IMPORTANT PROBLEMS FOR THE DESTINY OF PEACE AS THE ABOLITION OF THE REMNANTS OF THE SECOND WORLD WAR AND AS GENERAL AND TOTAL DISARMAMENT."

--DASH--
BERLIN, DEC. 31 (AP) - SOVIET LEADERS TODAY SENT A NEW YEAR'S MESSAGE TO COMMUNIST EAST GERMANY PRAISING EFFORTS TO BRING ABOUT A PEACE TREATY BETWEEN THEM, BUT NAMED NO NEW DEADLINE FOR IT.

PREMIER KHRUSHCHEV, WHO RETREATED FROM A THREAT TO SIGN A TREATY WITH EAST GERMANY BY THE END OF THE YEAR, AND PRESIDENT LEONID I. BREZHNEV MESSAGED EAST GERMAN COMMUNIST LEADER WALTER ULBRICHT:

"THE EFFORTS OF OUR COUNTRIES IN THE STRUGGLE FOR THE CONCLUSION OF A GERMAN PEACE TREATY, AND FOR NORMALIZING THE SITUATION IN WEST BERLIN ON THE BASIS OF IT, HAVE FOUND BROAD SUPPORT AMONG ALL STATES INTERESTED IN PEACE AND SECURITY IN EUROPE."

"THE SIGNATURE OF A PEACE TREATY WOULD CONTRIBUTE TO AN ESSENTIAL IMPROVEMENT OF THE INTERNATIONAL ATMOSPHERE AND ERECT A SERIOUS BARRIER ON THE ROAD TO REALIZATION OF THE CRIMINAL PLANS OF REVENGE-SEEKERS AND MILITARISTS OF ALL KINDS."

30.24-2597

--DASH--

ADVANCE FOR 1:30 P.M. EST

(ADVANCE)-BERLIN, DEC. 31 (AP) - WALTER ULBRICHT, EAST GERMAN COMMUNIST LEADER, IN A NEW YEAR'S ADDRESS TODAY CONCEDED THAT INDUSTRIAL AND FARM PRODUCTION FELL SHORT OF PLANS FOR 1961. HE BLAMED FLIGHTS TO THE WEST FOR THE FIRST AND BAD WEATHER FOR THE SECOND.

HE CALLED FOR PEACEFUL COEXISTENCE WITH WEST GERMANY AND NAMED AS A FIRST TASK "THE CONVERSION OF WEST BERLIN FROM A CENTER OF PROVOCATION FOR THOSE WHO WANT WAR INTO A DEMILITARIZED, FREE, NEUTRAL AND PEACEFUL CITY."

--DASH--

ADVANCE FOR 2 P.M. EST

(ADVANCE) BONN, GERMANY, DEC. 31 (AP) - PRESIDENT HEINRICH LUEBKE SAID TONIGHT "IF THE WEST DOESN'T LOSE ITS NERVE AND LET ITSELF BE PRESSURED IN THE COMING BERLIN TALKS WE CAN SECURE THE FREEDOM OF OUR OLD CAPITAL."

IN A TELEVISED NEW YEAR'S MESSAGE TO WEST GERMANY, LUEBKE SAID "THE SOVIET UNION THREATENS US WITH FORCE IF WE DO NOT GIVE IN TO ITS DEMANDS" BUT PREMIER KHRUSHCHEV KNOWS THE SOVIETS WOULD LOSE WORLD COMMUNIST LEADERSHIP TO RED CHINA IN EVENT OF WAR AND "FOR THIS REASON WILL NOT LET THINGS GO TOO FAR."

ADVANCE FOR 6 P.M. EST

(ADVANCE) BERLIN, DEC. 31 (AP)-MAYOR WILLY BRANDT OF WEST BERLIN TOLD HIS PEOPLE TONIGHT THEY WILL REMAIN FREE IN 1962. "WE CAN RELY ON THE WORDS OF OUR FRIENDS," HE SAID IN A NEW YEAR'S EVEN RADIO ADDRESS. "WE CERTAINLY WILL NOT BE SAVED FROM NEW STRAINS. BUT WE WILL PRESERVE PEACE AND HELP TO SECURE FREEDOM."

--DASH--

ADVANCE FOR 7 P.M. EST

BONN, GERMANY, MONDAY, JAN. 1 (AP)-ERICH MENDE, LEADER OF ONE OF TWO PARTIES IN THE NEW COALITION GOVERNMENT, DIFFERED TODAY WITH CHANCELLOR KONRAD ADENAUER ON THE PROBLEM OF EAST-WEST TALKS IN 1962. THE CHIEF OF THE FREE DEMOCRATIC PARTY SAID IN A NEW YEAR'S DAY INTERVIEW WEST GERMANY MUST WORK FOR NEGOTIATIONS WITH THE RUSSIANS ON DIVISION OF GERMANY AND EUROPEAN SECURITY AS WELL AS BERLIN. ADENAUER'S CHRISTIAN DEMOCRATS WANT TALKS LIMITED TO BERLIN, FEARING A BROADER AGENDA WOULD WEAKEN THE WESTERN POSITION.

--DASH--

CAPE TOWN, SOUTH AFRICA, DEC. 31 (AP)-PRIME MINISTER HENDRIK F. VERWOERD DECLARED IN A NEW YEAR'S BROADCAST TO THE NATION TODAY THAT "THE UNITED NATIONS HAS FAILED AS AN INSTRUMENT OF PEACE." THE WHITE SUPREMACY PRIME MINISTER TOLD HIS COUNTRYMEN THAT IF SOUTH AFRICA IS LEFT ALONE WITHOUT OUTSIDE INTERFERENCE HE WOULD SEE IT WORK OUT "A HAPPY COEXISTENCE FOR ALL." VERWOERD DECLARED "THE AIM OF COMMUNISM IS THAT THE WHOLE OF AFRICA MUST BE IN TURMOIL." HE CHARGED THAT THE UNITED NATIONS, UNDER PRESSURE OF THE ASIAN-AFRICAN BLOC, IS TRYING TO WREST CONTROL OF NEIGHBORING SOUTH WEST AFRICA FROM SOUTH AFRICA.

A72

(160)

AS508PES

MOSCOW, DEC. 31 (AP)-PREMIER NIKITA KHRUSHCHEV SAID IN AN INTERVIEW PUBLISHED TONIGHT THAT THE SOVIET UNION WILL MAKE NO "TERRITORIAL CONCESSIONS" TO JAPAN.

KHRUSHCHEV, AS QUOTED BY THE TASS NEWS AGENCY, ACCUSED THE JAPANESE GOVERNMENT OF BEING TIED TO THE UNITED STATES BY MILITARY TREATY AND OF NOT DESIRING "FULL NORMALIZATION OF RELATIONS WITH THE SOVIET UNION."

TASS SAID KHRUSHCHEV MADE HIS STATEMENTS IN AN INTERVIEW WITH MONORU ODA, EDITOR OF THE JAPANESE NEWSPAPER CHUBU NIPPON. THE SOVIET PREMIER DID NOT SPECIFY THE TERRITORIAL ISSUES AT STAKE BUT IT WAS ASSUMED HE REFERRED TO JAPAN'S CLAIMS ON TWO OF THE SOVIET-HELD KURILES ISLANDS.

LAST WEEK THE KREMLIN DENOUNCED THE U.S. STATE DEPARTMENT FOR SUPPORTING THESE CLAIMS.

KHRUSHCHEV SAID HE EXPECTED THAT IN TIME JAPAN WOULD BE FREE OF FOREIGN TROOPS ON HER SOIL AND THAT WOULD CLEAR THE WAY FOR BETTER RELATIONS BETWEEN RUSSIA AND JAPAN.

MJ436PES

A173

ADVANCE FOR USE AT 7:01 P.M. EST SUNDAY DEC. 31
(ADVANCE) UNITED NATIONS, N.Y., DEC. 31 (AP)--ACTING SECRETARY-GENERAL U THANT TODAY CALLED UPON THE NATIONS OF THE WORLD TO RESOLVE THEIR DIFFERENCES PEACEFULLY THROUGH CONCILIATION, MEDIATION AND NEGOTIATION.

IN A NEW YEAR'S MESSAGE, THANT DECLARED THAT THIS IS THE ONLY SAFE AND SURE ROAD TO GREATER UNDERSTANDING AND THE SOCIAL AND ECONOMIC PROGRESS WHICH THE WORLD PROMISED ITSELF IN THE U.N. CHARTER 16 YEARS AGO.

"LET US START THE NEW YEAR," HE SAID, "WITH THE RESOLVE TO ADVANCE FURTHER, FIRM IN STEP, UPON THIS ROAD."

THANT SAID:

"IN THE UNITED NATIONS, AND IN ITS PROCESSES OF CONCILIATION, MEDIATION AND NEGOTIATION, THE WORLD HAS PROVIDED ITSELF WITH THE MACHINERY--AND THE DISCIPLINE--REQUIRED TO ENSURE ITS PEACE AS WELL AS ITS PROSPERITY."

HE DECLARED THAT THE WORLD STILL IS FACED WITH MANY DANGERS AND DIFFICULTIES WHICH IT INHERITED FROM THE PAST 12 MONTHS.

"HOWEVER," HE ADDED, "IN THIS NEW YEAR, WE INHERIT ALSO THE KNOWLEDGE THAT SURVIVAL IN OUR TIME IS NOT POSSIBLE WITHOUT COOPERATION; AND THAT COOPERATION, IN TURN, IS POSSIBLE ONLY GIVEN THE STRENGTH AND THE WILL, AMONG NATIONS AS AMONG MEN, TO SUBMIT INDIVIDUAL INTERESTS TO THE DISCIPLINE OF THE LARGER GOOD."

WHETHER 1962 WILL BE A YEAR OF PEACE, HE SAID, WILL BE DETERMINED BY THE PEOPLES AND GOVERNMENTS OF THE WORLD "INDIVIDUALLY WITHIN THEIR OWN SEPARATE NATIONAL AND POLITICAL COMMUNITIES, AND COLLECTIVELY WITHIN THE LARGER COMMUNITY OF THE WORLD UPON WHICH SCIENCE AND HISTORY HAVE COMBINED TO THRUST A COMPULSIVE PARTNERSHIP OF LIFE AND DEATH."

END ADVANCE FOR USE AT 7:01 P.M. EST SUNDAY, DEC. 31

HB1243AES

A61

U.N. BUDGET (450)

BY WILLIAM N. OATIS

UNITED NATIONS, N.Y., DEC. 31 (AP)--A COMMUNIST COUNTRY, A LEFT-OF-CENTER LATIN AMERICAN COUNTRY AND 60 NONALIGNED COUNTRIES JOIN THE U.N. SECURITY COUNCIL TOMORROW.

BUT WESTERN DIPLOMATS BELIEVE THE UNITED STATES WILL STILL BE ABLE TO MUSTER THE SEVEN VOTES NECESSARY TO PUT A RESOLUTION THROUGH THE 11-NATION COUNCIL IN ANY CASE AFFECTING ITS VITAL INTERESTS. THE SOVIET VETO STANDS IN THE WAY, AS ALWAYS.

THE NEW MEMBERS, ELECTED BY THE RECENT GENERAL ASSEMBLY, WILL BE SOVIET-BLOC ROMANIA, LIBERAL VENEZUELA AND NONALIGNED GHANA AND IRELAND.

REMAINING ON THE COUNCIL WILL BE CHILE, THE UNITED ARAB REPUBLIC AND THE FIVE VETO-HOLDING PERMANENT MEMBERS--BRITAIN, NATIONALIST CHINA, FRANCE, THE SOVIET UNION AND THE UNITED STATES.

EDUCATED GUESSES CAN BE MADE ON THE GENERAL WAY THE MEMBERS WILL LINE UP, BASED ON THEIR GENERAL U.N. VOTING RECORDS AND DEPENDING ON THE ISSUE.

THE GUESSING AMONG WESTERN DIPLOMATS IS THAT ON ANYTHING CRUCIAL, THE UNITED STATES PROBABLY COULD COUNT ON THE VOTES OF BRITAIN, CHILE, CHINA, FRANCE, IRELAND AND VENEZUELA--AS WELL

AS ITS OWN. THAT WOULD BE ENOUGH TO PASS ANYTHING, PROVIDED THE VETO DID NOT STOP IT. THE CHANCES ON THE SECURITY COUNCIL WILL SEE ROMANIA SUCCEEDING WESTERN-ALLIED TURKEY. THAT WILL MEAN A SHIFT OF ONE VOTE FROM THE U.S. TO THE SOVIET SIDE.

BUT IRELAND WILL SUCCEED LIBERIA. AND WHEREAS LIBERIA OPPOSED A U.S.-BACKED RESOLUTION AGAINST INDIA'S INVASION OF GOA, IRELAND SEEMS MORE LIKELY TO VOTE WITH THE UNITED STATES WHEN THE ISSUE ARISES OF WHETHER ANTICOLONIAL ENDS JUSTIFY RESORT TO FORCE. VENEZUELA WILL TAKE OVER FROM ECUDARO--AND, IF ANYTHING, WILL PROBABLY BE EVEN MORE INCLINED THAN ITS PREDECESSOR TO COME DOWN ON THE U.S. SIDE.

GHANA WILL FOLLOW CEYLON ON THE COUNCIL--AND LIKELY WILL CONTINUE CEYLON'S LEFTIST, NATIONALIST, ANTICOLONIAL LINE. SOME DELEGATES SAY THE GHANAIANS HAVE PUT IT AROUND THAT EARLY IN THE NEW YEAR, THEY WILL COMPLAIN TO THE COUNCIL ABOUT SOUTH AFRICA'S POLICY OF APARTHEID, OR RACE SEGREGATION.

GHANA AND VENEZUELA EACH WILL SERVE A FULL TWO-YEAR TERM ON THE COUNCIL. IRELAND WILL SERVE THE LAST YEAR OF A TERM IT SPLIT WITH LIBERIA. ROMANIA WILL SERVE THE FIRST YEAR OF A TERM IT IS SPLITTING WITH THE PHILIPPINES. THE SPLIT-TERM COMPROMISE IS RESORTED TO WHEN NEITHER OF TWO CANDIDATES CAN GET THE TWO-THIRDS VOTE IN THE ASSEMBLY NEEDED FOR ELECTION.

THE NEW COUNCIL MEMBERS WILL BE REPRESENTED BY THEIR CHIEF U.N. DELEGATES. THESE ARE ALEX QUASON-SACKY FOR GHANA, FREDERICK H. BOLAND FOR IRELAND, MICHAEL HASEGANU FOR ROMANIA AND CARLOS SOSA-RODRIGUEZ FOR VENEZUELA.

THE UNITED KINGDOM REPRESENTATIVE--SIR PATRICK DEAN--WILL BE COUNCIL PRESIDENT IN JANUARY IN ALPHABETICAL SUCCESSION TO THE U.A.R. REPRESENTATIVE--OMAR LOUTFI.

MK/JD357PES

A56WX

(350) RUSSELL

WASHINGTON, DEC. 31 (AP)--SEN. RICHARD B. RUSSELL, D-GA., CHAIRMAN OF THE SENATE ARMED SERVICES COMMITTEE, SAID TODAY AMERICA'S STRATEGIC AIR COMMAND COULD OBLITERATE RUSSIA IN A NUCLEAR WAR AND THE RUSSIANS KNOW IT.

AT THE SAME TIME HE CALLED FOR A PAY INCREASE IN THE U.S. ARMED SERVICES TO PROPERLY COMPENSATE MEN WITH SPECIAL SKILLS. CALLING SAC "THE MOST TERRIFIC STRIKING FORCE IN THE WORLD," THE SENATOR SAID HE FAVORED KEEPING MANNED AIRCRAFT AS PRIME SOURCE OF AMERICAN POWER FOR SOME TIME TO COME BEFORE REPLACING THEM WITH MISSILES.

RUSSELL, SPEAKING ON A TELEVISION NEWS PANEL (NON-NETWORK--COLLEGE NEWS CONFERENCE), SAID THE SOVIET UNION HAS LARGER AND BETTER-EQUIPPED CONVENTIONAL FORCES THAN THE UNITED STATES. BUT AMERICA HAS EQUAL OR BETTER WEAPONS IN SUPPLY LINES AND IS EQUIPPING ITS FORCES RAPIDLY, HE SAID.

THE GEORGIA SENATOR, ALSO A MEMBER OF THE APPROPRIATIONS COMMITTEE, SAID "NO WE CANNOT," WHEN ASKED IF PRESIDENT KENNEDY'S GOAL OF BALANCING THE BUDGET IN FISCAL 1963 COULD BE REALIZED.

HE PROPOSED HIGHER MILITARY PAY IN THESE WORDS: "I THINK WE WILL HAVE TO CONSIDER THE WHOLE MATTER OF PAY FOR THOSE IN MILITARY SERVICE. I THINK WE WILL HAVE TO READJUST PAY FOR THOSE WITH SPECIAL SKILLS IN THE NEAR FUTURE." HE INDICATED THE BOOST SHOULD NOT BE ACROSS THE BOARD BUT BASED ON MERIT AND SKILLS.

RUSSELL PROPOSED SHARP TRIMMING OF DOMESTIC PROGRAMS TO OFFSET RISING MILITARY SPENDING. HE SAID URBAN RENEWAL COULD BE CUT IN TWO. "IT GOES TO THE RICHEST CITIES IN THE WORLD," HE SAID. "IF THEY ADOPT PROPER TAX PROGRAMS THEY CAN DO IT THEMSELVES."

THE UPROAR KICKED UP BY COMPLAINTS OF RESERVISTS CALLED TO ACTIVE DUTY LAST FALL WILL BE LOOKED INTO BY HIS COMMITTEE AFTER CONGRESS

RECONVENES JAN. 10, RUSSELL SAID.
MUCH OF THE BITTERNESS, HE SAID, CAME FROM WIVES, BUT SOME COMPLAINTS WERE BASED ON "INEXCUSABLE MALFUNCTIONS OF THE DEPARTMENT OF DEFENSE."
HE DID NOT GO INTO DETAIL.
ON OTHER SUBJECTS THE SENATOR SAID:
--A MILITARY COMMANDER SHOULD BE ABLE TO EXPRESS HIMSELF BUT SHOULDN'T CAMPAIGN ON POLITICAL ISSUES. "HE SHOULDN'T BE ABLE TO ATTACK HIS COMMANDER IN CHIEF." HE SAID HE FAVORED STRONG CIVILIAN CONTROL OVER THE MILITARY.
--HE FAVORED STRONGER STEPS AGAINST FIDEL CASTRO'S CUBA THAN THE GOVERNMENT HAS TAKEN, HE DIDN'T SPELL OUT WHAT STEPS HE HAD IN MIND.
--THE UNITED STATES WOULD NOT BE ABLE TO STOP ADVANCES OF COMMUNISM IN SOUTH VIET NAM AND SOUTHEAST ASIA UNTIL THE RULERS IN THOSE COUNTRIES SET UP MORE DEMOCRATIC GOVERNMENTS. HE SAID BETTER DISTRIBUTION OF THE WEALTH IS NEEDED THERE.

JK4C7330PFS

A153WX (ADV)
ADVANCE FOR AMS OF MONDAY, JAN. 1--NOTE DATE

(440) OVERSEAS BASES
BY ELTON C. FAY

(ADVANCE) WASHINGTON, DEC. 31 (AP)--THE UNITED STATES FACES TODAY THE STRONG POSSIBILITY THAT IT MUST WRITE OFF MORE THAN \$500 MILLION IN OVERSEAS MILITARY BASES BECAUSE OF THE CHANGING COMPLEXION OF INTERNATIONAL AFFAIRS.

WITH THE MONEY WILL GO CRITICALLY IMPORTANT STRATEGIC POSITIONS IN THIS NATION'S WORLDWIDE DEFENSIVE COMPLEX.
THE HUGE AIR BASE ON THE ISLAND OF TERCEIRA, IN PORTUGAL'S AZORES, NOW IS CAST IN DOUBT. THE U.S. STARTED USING THE LAJES AIR BASE IN THE MIDST OF WORLD WAR II, UNDER AGREEMENT WITH PORTUGAL. IN THE YEARS SINCE THEN ALMOST \$250 MILLION HAS BEEN PUT INTO THE BIG AIRFIELD, PERMANENT BUILDINGS, COMMUNICATIONS AND NAVIGATION EQUIPMENT AND AIRCRAFT STATIONED THERE.

AGREEMENTS WERE RENEWED TWICE IN POST-WAR YEARS. NEXT SPRING, THE AGREEMENT COMES UP AGAIN FOR RENEWAL. BUT THIS TIME, THERE IS DOUBT. PORTUGAL IS UNHAPPY OVER U.S. ATTITUDES TOWARD TROUBLES THAT COUNTRY HAS HAD WITH HER COLONIES OF ANGOLA IN AFRICA AND THE THREE TINY

COLONIES LATELY SEIZED BY A SUDDENLY WARLIKE INDIA.

AIR FORCE OFFICIALS PRIVATELY EXPRESS DEEP CONCERN.
THE AZORES BASE IS AN IMPORTANT STEPPING STONE ON THE SOUTHERN ROUTE TO EUROPE, AFRICA AND THE MIDDLE EAST, FOR COMBAT AIRCRAFT AS WELL AS TRANSPORTS--AND ESPECIALLY WHEN NORTH ATLANTIC STORMS BLOT OUT THE SHORTER GREAT CIRCLE ROUTE.

LOCATED AT THE LAJES AIR BASE IS A TANKER PLANE SQUADRON OF THE STRATEGIC AIR COMMAND, KEPT THERE FOR MID-AIR REPLENISHMENT OF JET BOMBERS EN ROUTE ACROSS THE ATLANTIC.

THE NAVY, WHICH DOES NOT USE THE BASE EXTENSIVELY IN PEACETIME, NEVERTHELESS LOOKS UPON IT AS HIGHLY ESSENTIAL FOR ANTI-SUBMARINE OPERATIONS IN WARTIME.

THE AZORES IS ONLY PART OF THE TROUBLES CONFRONTING THE U.S. DEFENSE SYSTEM.

THE U.S. HAS AGREED TO TURN OVER THE LAST OF ITS STRATEGIC AIR COMMAND BASES IN MOROCCO TO THAT COUNTRY BY 1963. THE MOROCCAN BASES, IN WHICH U.S. INVESTMENT NOW TOTALS ALMOST \$400 MILLION FOR CONSTRUCTION AND EQUIPMENT ALONE, WERE BUILT TO PROVIDE A STAGING POINT FOR SAC BOMBERS ON MISSIONS TO RUSSIAN TARGETS.

THE ORIGINAL AGREEMENT FOR BUILDING AND OPERATING THE BASES WAS MADE WITH FRANCE. SINCE THEN, MOROCCO HAS BECOME INDEPENDENT.

MILITARY BASE USE IS NOT THE ONLY PERPLEXITY ARISING OUT OF CHANGING INTERNATIONAL SITUATIONS, EMERGENCE OF NEW INDEPENDENT NATIONS AND POLITICAL REORIENTATIONS. SEA AND AIR ROUTES CAN BECOME INVOLVED.

THE NAVY IS KEEPING A WARY EYE ON THE STRAIT OF MALACCA, AMONG OTHER PLACES.

30.24-2599

THE STRAIT IS THE SHORT ROUTE FROM THE PACIFIC INTO THE INDIAN OCEAN AND THUS INTO THE RED SEA-SUEZ CANAL LINK WITH THE MEDITERRANEAN. THERE IS POLITICAL FERMENT IN INDONESIA. IF THE FERMENT RESOLVES INTO GOVERNMENTS HOSTILE TO THE U.S. OR ORIENTED TOWARD LEFTIST NEUTRALISM, THE STRAIT MIGHT BE CLOSED OFF TO USE BY WARSHIPS OF FOREIGN NATIONS.

IN RECENT YEARS, MORE AND MORE NATIONS HAVE ADOPTED A 12-MILE TERRITORIAL WATERS POLICY TO REPLACE THE OLD THREE-MILE LIMIT CONTROL. AS GOVERNMENTS CHANGE, SO-CALLED "OVER-FLY" PRIVILEGES CHANGE AND AIRCRAFT MUST GO AROUND INSTEAD OF OVER CERTAIN TERRITORY. A RECENT EXAMPLE OF THIS IS COMMUNIST CUBA, WHICH U.S. AIRCRAFT NOW SKIRT INSTEAD OF OVER-FLYING ON THE WAY TO SOUTH AMERICA AND THE PANAMA CANAL ZONE.

(END ADVANCE FOR AMS OF MONDAY, JAN. 1--NOTE DATE--SENT DEC. 30)
JK1040PES

BERLIN BUDGET

BY JOHN FIEHN A43

BERLIN, DEC. 31 (AP)--THREE FULLY ARMED EAST GERMAN PEOPLE'S POLICEMEN ESCAPED TO WEST BERLIN DURING THE NIGHT, WEST GERMAN AUTHORITIES REPORTED TODAY. ONE OF THEM BROUGHT HIS WIFE.

WESTERN OFFICIALS SAID TWO OF THE EAST GERMAN POLICEMEN, CALLED VOPOS, CUT A HOLE THROUGH THE BARBED WIRE FENCES ALONG THE BORDER IN THE SOUTHWESTERN FRINGES OF WEST BERLIN WHILE ON DUTY THERE. THEN THEY SKIPPED OUT, WITH THE WIFE OF ONE, AND ASKED WEST BERLIN POLICE FOR ASYLUM.

A SHORT TIME LATER A THIRD VOPO ON DUTY IN THE SAME AREA FOUND THE HOLE IN THE WIRE AND SLIPPED THROUGH, TOO.

MEANWHILE, THE U.S. ARMY WAS SHOWING ITS TEETH IN ENFORCEMENT OF A BAN AGAINST TRAVEL BY THE SOVIET COMMANDANT INTO THE AMERICAN SECTOR. A SOVIET LIEUTENANT COLONEL, ASKED TO IDENTIFY HIMSELF BEFORE CROSSING INTO WEST BERLIN, REFUSED FOR A TIME TO ENTER, A U.S. SPOKESMAN SAID.

THE INCIDENT OCCURRED AT 7:30 A.M. AT FRIEDRICHSTRASSE INTERNATIONAL CROSSING POINT--CHECKPOINT CHARLIE TO THE AMERICANS. THE SOVIET OFFICER WAS IN A JEEP WITH THREE OTHER SOLDIERS. HE REFUSED TO ANSWER A MILITARY POLICE OFFICER'S QUESTION--"WHO ARE YOU?"--WRITTEN IN RUSSIAN ON A PIECE OF CARDBOARD. INSTEAD, HE ORDERED HIS JEEP TO RETURN TO EAST BERLIN.

BUT AN HOUR LATER, THE SPOKESMAN SAID, THE LIEUTENANT COLONEL RETURNED, GAVE HIS NAME AND WAS WAVED ON INTO WEST BERLIN.

THE U.S. SPOKESMAN SAID THAT SINCE LAST WEDNESDAY SOVIET VEHICLES WHOSE PASSENGERS ARE NOT KNOWN TO U.S. MILITARY POLICE AT THE CHECKPOINT ARE BEING CHECKED. THAT DAY, THE AMERICANS INFORMED THE SOVIET COMMANDANT IN BERLIN, COL. ANDREI I. SOLOVYEV, THAT HE AND HIS POLITICAL ADVISER ARE BARRED FROM ENTERING THE U.S. SECTOR.

THEY ARE BEING DENIED ENTRY INTO THE AMERICAN SECTOR BECAUSE EAST GERMAN BORDER GUARDS INTERFERED WITH AN INTENDED VISIT TO SOVIET HEADQUARTERS IN EAST BERLIN A WEEK AGO OF U.S. COMMANDANT MAJ. GEN. ALBERT WATSON II AND THE U.S. MISSION'S POLITICAL ADVISER, HOWARD TRIVERS.

A178

(FOR YEAR END EDITORS. PLEASE SAVE SINCE THIS WILL NOT BE REPEATED)
COMMON MARKET (680)

BY GODFREY ANDERSON

(ADVANCE) LONDON (AP)--BRITAIN'S BUSINESSMEN START THE COMING YEAR WITH THE BIGGEST CHALLENGE THEY HAVE EVER FACED: PREPARING FOR THE NATION'S ENTRY INTO EUROPE'S BOOMING SIX-NATION COMMON MARKET--PERHAPS THE MOST SIGNIFICANT DEVELOPMENT IN 1961 IN THE TRADING AREA.

PRIME MINISTER HAROLD MACMILLAN HAS TOLD THEM THAT THEY ARE IN FOR "A BRACING SHOWER, NOT A RELAXED TURKISH BATH."
HOW WILL BRITAIN'S ECONOMY BE AFFECTED WHEN HER TRADE IS MERGED ON EQUAL TERMS WITH THAT OF FRANCE, WEST GERMANY, ITALY, BELGIUM, HOLLAND AND LITTLE LUXEMBOURG?

IS SHE REALLY READY FOR SUCH A DRASTIC STEP?

NOT TODAY, ASSUREDLY. PEOPLE SAY BRITISH COSTS ARE TOO HIGH, SALESMANSHIP SLOW, DESIGNS OFTEN OUTDATED, DELIVERY DATES UNCERTAIN. BUT THERE IS OPTIMISM THAT BETWEEN NOW AND BRITAIN'S ACTUAL ENTRY INTO THE MARKET--POSSIBLY EARLY IN 1963--MUCH CAN BE REMEDIED.

THERE IS GENERAL AGREEMENT THAT SOME BRITISH INDUSTRIES MAY DECLINE OR DISAPPEAR AND OTHERS EXPAND AS THE COMMON MARKET'S TREND TOWARD SPECIALIZATION MAKES ITSELF FELT.

AS THE LONG AND DIFFICULT NEGOTIATIONS PROCEED IN BRUSSELS, BOTH SIDES HAVE RESERVATIONS ABOUT WHAT IS ADMITTEDLY A MARRIAGE OF CONVENIENCE.

SOME BRITISH POLITICIANS FEAR THE PARTIAL SURRENDER OF SOVEREIGNTY, IMPLICIT IN THE ROME TREATY WHICH RULES THE COMMON MARKET SYSTEM.

SOME OF THE SIX, ESPECIALLY FRANCE, ARE STILL NOT TOO SURE ABOUT BRITAIN'S REAL MOTIVES IN SEEKING MEMBERSHIP. THEY FEAR SHE WILL OBJECT TO SOME OF THE MORE RADICAL CHANGES THEY HAVE IN MIND AND MAY ACT AS A DRAG ON THEIR PROGRESS TOWARDS CLOSER EUROPEAN INTEGRATION.

SUCCESS OF THE BRUSSELS NEGOTIATIONS MAY WELL DEPEND ON FINDING SOME ACCEPTABLE WAY OF ASSOCIATING THE BRITISH COMMONWEALTH NATIONS--NOW ENJOYING A PRIVILEGED POSITION IN THE BRITISH MARKET--WITH THE COMMON MARKET SO THEY CAN TRADE WITH IT ON A REASONABLY COMPETITIVE BASIS.

THERE IS ALSO THE QUESTION OF THE EFFECT OF BRITAIN'S DECISION ON THE FUTURE OF THE EUROPEAN FREE TRADE ASSOCIATION (EFTA), WHICH SHE SET UP AS A TRADING BLOCK IN OPPOSITION TO THE COMMON SIX. BRITAIN IS MORALLY BOUND TO SEE THAT THESE TRADING PARTNERS DO NOT SUFFER NOW SHE IS QUITTING THEM.

ONE EFTA MEMBER, DENMARK, HAS ALREADY APPLIED FOR COMMON MARKET MEMBERSHIP. NORWAY WILL PROBABLY FOLLOW SOON. SWITZERLAND, SWEDEN AND AUSTRIA WANT SOME FORM OF ECONOMIC TIE WHICH WILL LEAVE THEM POLITICALLY FREE TO PURSUE THEIR CHOSEN PATH OF NEUTRALITY.

IRELAND, NEVER AN EFTA MEMBER BUT CLOSELY LINKED WITH BRITAIN IN TRADE, IS JUMPING ON THE COMMON MARKET BANDWAGON TOO. GREECE IS ALREADY AN ASSOCIATE MEMBER.

ALL THESE EVENTS WILL DRASTICALLY CHANGE THE ECONOMIC FACE OF WESTERN EUROPE DURING 1962.

BRITAIN'S ENTRY INTO THE MARKET WILL BRING ITS TOTAL OF CONSUMERS TO AN ESTIMATED 300 MILLION. THIS MEANS A FORMIDABLE TRADING BLOCK WHICH CAN MORE THAN HOLD ITS OWN WITH ANY EXISTING IN THE WORLD TODAY.

EVEN NOW, ON ITS MORE LIMITED SIX-NATION SCALE, THE COMMON MARKET IS DRIVING AHEAD DYNAMICALLY. CUSTOMS DUTIES ON TRADE AMONG ITS MEMBERS HAVE BEEN REDUCED BY 30 PERCENT AND FURTHER CUT OF AN ADDITIONAL 10 OR 20 PERCENT IS BEING CONSIDERED FOR JANUARY. IF THE FURTHER 20 PERCENT REDUCTION TAKES EFFECT, THE LOWERING OF INTERNAL TARIFFS WILL BE FOUR YEARS AHEAD OF THE ROME TREATY'S SCHEDULE.

INTERNAL AND EXPORT QUOTAS ON INDUSTRIAL PRODUCTS ARE BEING ABOLISHED DECEMBER 31.

THE FIRST MOVE FOR ADJUSTING NATIONAL TARIFFS OF THE SIX TOWARDS A JOINT EXTERNAL TARIFF WAS TAKEN ON DECEMBER 31, 1960, A FULL YEAR AHEAD OF SCHEDULE. GERMANY AND THE BENELUX COUNTRIES RAISED THEIR IMPORT DUTIES WHILE FRANCE AND ITALY REDUCED THEM. THIS FIRST ADJUSTMENT AMOUNTED TO 30 PERCENT OF THE DIFFERENCE BETWEEN THEIR INDIVIDUAL NATIONAL TARIFFS AND THE PROPOSED JOINT EXTERNAL TARIFF.

THE RESULT WAS A STIMULUS TO COMMON MARKET TRADE. IN 1959 INDUSTRIAL PRODUCTION WITHIN THE MARKET ROSE BY SEVEN PERCENT. IN 1960 BY MORE THAN 13 PERCENT. LAGGING BEHIND. THE SEVEN

EFTA NATIONS EDGED UP INDUSTRIAL PRODUCTION BY ONLY SIX PERCENT IN 1960. THE COMMON MARKET'S GROSS NATIONAL PRODUCT WAS UP NEARLY 10 PERCENT IN 1960, AS COMPARED WITH SIX PERCENT IN THE TWO LARGEST EFTA PRODUCERS --BRITAIN AND SWEDEN.

TRADE WITHIN THE COMMON MARKET INCREASED 19 PERCENT IN 1959, 25 PERCENT IN 1960, AND THIS YEAR'S FIGURES WILL ALMOST CERTAINLY BE HIGHER AGAIN. THIS MAKES IT THE FASTEST GROWING ECONOMY IN THE WEST TODAY. (SENT DEC. 3).

MC1257AES

A170

FOR YEAR END EDITIONS. PLEASE SAVE SINCE THIS WILL NOT BE REPEATED EUROPEAN ECONOMIC (850)

BY MILTON MARMOR

(ADVANCE) LONDON

(AP)--DESPITE POLITICAL TURMOIL AND THREAT OF INFLATION, WESTERN EUROPE SWEEPED THROUGH ANOTHER BOOM YEAR IN 1961 AND CONFIDENTLY PREDICTS AN EQUALLY PROSPEROUS NEW YEAR IN 1962. A COUNTRY-BY-COUNTRY SURVEY BY THE ASSOCIATED PRESS SHOWED 1961 AS ANOTHER GLOWING CHAPTER IN EUROPE'S POSTWAR ECONOMIC MIRACLE.

IT WAS A PICTURE OF HIGHER LIVING STANDARDS GENERALLY, LAVISHLY STOCKED STORE SHELVES, MORE LUXURY GOODS, AN EVER-RISING CURVE IN PRODUCTION, LOW UNEMPLOYMENT, INCREASED CAR SALES AND MORE PEOPLE BUYING RADIOS, TELEVISION SETS, REFRIGERATORS AND SIMILAR PRODUCTS.

ONLY BRITAIN SEEMED TO BE LAGGING IN THE WESTERN EUROPE BOOM. BUT DESPITE HEAVY TAXATION, BRITAIN IS CHOCK-FULL OF CONSUMER GOODS AND HAS ONE OF THE HIGHEST STANDARDS OF LIVING IN THE WORLD.

BRITAIN ALSO FIGURED IN ONE OF THE HISTORIC ECONOMIC AND SOCIAL EVENTS OF MODERN EUROPE. SHE DECIDED TO SEEK MEMBERSHIP IN THE EUROPEAN COMMON MARKET--MADE UP OF ITALY, FRANCE, WEST GERMANY, THE NETHERLAND, BELGIUM AND LUXEMBOURG.

NEGOTIATIONS ARE UNDERWAY IN BRUSSELS. THEY ARE LIKELY TO BE LONG AND DIFFICULT. EVERYONE, HOWEVER, EXPECTS THE NEGOTIATIONS TO SUCCEED AND AS BRITAIN GOES, SO WILL GO MOST OF EUROPE.

TO MANY, ONE OF THE MOST REMARKABLE ECONOMIC DEVELOPMENTS OF 1961 WAS THAT ALMOST EVERY COUNTRY HAD LABOR SHORTAGES--EVEN ITALY--LONG BOTHERED BY CHRONIC UNEMPLOYMENT AND STILL A BIG SUPPLIER OF LABOR TO OTHER COUNTRIES.

ALL THIS HAS HAPPENED 16 YEARS AFTER A DISASTROUS SECOND WORLD WAR THAT BROUGHT MISERY AND HUNGER TO MOST OF EUROPE.

THE RAPIDLY IMPROVING ECONOMIC SITUATION OF EUROPE BRINGS WITH IT SOCIAL AND POLITICAL CHANGES. THE DREAM OF A UNITED STATES OF EUROPE IS GROWING. RIGID CLASS BARRIERS AND BECOMING LESS SOLID! ADVERTISING AND TELEVISION ARE BRINGING PEOPLE OF VARIOUS NATIONS INTO AN AMALGAM OF POPULATIONS WITH SIMILAR OUTLOOKS.

THIS WAS THE STORY OF ALMOST ALL EUROPE--POLITICAL PROBLEMS, BUT BUSINESS BOOMING.

HERE IS A RUNDOWN BY COUNTRIES:

--BRITAIN--

THIS NATION HAD INTERNATIONAL ECONOMIC EMERGENCY AID DURING THE YEAR. BRITAIN'S ADVERSE BALANCE OF PAYMENTS IN INTERNATIONAL TRADE FORCED THE COUNTRY TO TAKE RESTRICTIVE STEPS TO STOP SPENDING. THE COUNTRY ALSO HAD TO GET A HUGE LOAN FROM THE INTERNATIONAL MONETARY FUND (IMF). THE BANK RATE WHICH GOVERNS INTEREST ON LOANS SKYROCKETED TO 7 PER CENT. THEN WAS LOWERED. THINGS LOOKED BRIGHTER FOR THE FUTURE.

--FRANCE--

TRADE BOOMED AND PRODUCTION EXPANDED. FRANCE HAD A FAVORABLE BALANCE OF TRADE. THE OUTLOOK FOR THE COMING YEAR IS FOR CONTINUED EXPANSION AND FOR A CONTINUED FAVORABLE TRADE BALANCE. THERE WAS GROWING CONFIDENCE IN THE FRANC AS A HARD CURRENCY. THIS IS REFLECTED IN THE FACT THAT PRIVATE CREDITS AND INVESTMENTS

TOTALLED FOUR TIMES WHAT THEY WERE IN 1959.

--WEST GERMANY--
THE POST-WAR BOOM LEVELLED OFF IN THE SECOND HALF OF 1961. MOST BUSINESS OBSERVERS, HOWEVER, REMAINED OPTIMISTIC. THE LEVELLING OFF WAS LOOKED UPON AS NORMALIZATION AFTER A PERIOD OF OVERHEATED BUSINESS ACTIVITY. AN UNWELCOME THREAT OF INFLATION HAD LURKED BEHIND THE BOOM. UNEMPLOYMENT WAS DOWN TO 0.5 PER CENT. INDUSTRIAL INVESTMENT REACHED AN ESTIMATED 20 BILLION MARKS (5 BILLION DOLLARS) IN 1961, TWENTY PER CENT MORE THAN THE PREVIOUS

YEAR. EXPERTS PREDICTED WEST GERMANY'S GROSS NATIONAL PRODUCT WOULD RISE ABOUT 4 PER CENT IN 1962.

--ITALY--
THE ITALIAN BOOM CONTINUED IN 1961 BUT AT A SLOWER RATE THAN 1960. BUSINESS CIRCLES AND GOVERNMENT OFFICIALS LOOK TO 1962 WITH OPTIMISM!

THE NATION HAD A SURPLUS OF EXPORTS OVER IMPORTS--A FAVORABLE BALANCE OF TRADE. FOREIGN EXCHANGE RESERVES REACHED A NEW HIGH OF 3,371,000,000 DOLLARS.

--BELGIUM--
THE ECONOMY SEEMS TO BE GOING STRONG DESPITE THE AFTER-EFFECTS OF THE LOSS OF THE CONGO AND DESPITE A CLOUDY INTERNAL POLITICAL FUTURE.

INDUSTRIAL PRODUCTION FOR THE FIRST HALF OF THE YEAR REMAINED AT THE SAME LEVEL AS IN 1960. THAT YEAR SAW AN INCREASE OF 6 PER CENT.

EXPORTS WENT UP BY 2.3 PER CENT. ECONOMIC FIGURES GENERALLY WERE EXCELLENT.

--NETHERLANDS--
AMID HOLLAND'S ECONOMIC IMPROVEMENT CAME WARNINGS OF INFLATIONARY TENDENCIES. HOME EXPENDITURES WERE EXPECTED TO GROW FASTER THAN NATIONAL PRODUCTION NEXT YEAR.

AN ACUTE LABOR SHORTAGE WILL CONTINUE. THE INCREASED PRODUCTION ESTIMATE FOR NEXT YEAR WAS GIVEN AS 2 OR 3 PER CENT. ORIGINALLY, IT HAD BEEN EXPECTED TO BE 5 PER CENT.

--SWITZERLAND--
THE UNPRECEDENTED BOOM CONTINUED. IT LED TO SHARP WAGE AND PRICE INCREASES. THERE WERE MORE VACANT JOBS THAN SWISS UNEMPLOYED. THE ECONOMY DEPENDED LARGELY ON FOREIGN LABOR WITH 400,000 ITALIAN WORKERS MAKING UP NEARLY ONE-FIFTH OF THE ENTIRE LABOR FORCE.

THE CURRENT BOOM IS EXPECTED TO CONTINUE. THE SWISS FRANC, SUPPORTED BY HUGE FOREIGN BANK DEPOSITS, WAS LIKELY TO REMAIN ONE OF THE WORLD'S STRONGEST CURRENCIES.

--SCANDINAVIA--
ALL SCANDINAVIAN COUNTRIES HAVE BEEN ENJOYING A BOOM FOR SEVERAL YEARS. THERE ARE NO SIGNS OF ANY IMMINENT REVERSAL OF THE UPWARD TREND.

ANY CHANGES WOULD BE BASED ON HOW, WHEN AND UNDER WHAT CIRCUMSTANCES BRITAIN --TO WHICH SCANDINAVIA IS CLOSELY TIED-- JOINED THE COMMON MARKET.

UNEMPLOYMENT IS LOW IN SWEDEN, NORWAY, DENMARK AND FINLAND. THERE IS A SHORTAGE OF SKILLED LABOR IN MANY FIELDS.

DENMARK'S CENTRAL PROBLEM WAS AN INCREASING LACK OF MANPOWER. NORWAY FACES THE NEW YEAR WITH A THRIVING INFLATION AND AN ADVERSE BALANCE OF PAYMENTS. YET, PRODUCTION ROSE IN 1961 AND IS EXPECTED TO GO EVEN HIGHER.

SWEDEN ALSO RUNS THE RISK OF INFLATION. THE WAGE LEVEL FOR INDUSTRIAL WORKERS IS 9 PER CENT ABOVE THAT OF LAST YEAR.

SWEDEN'S EXPORTS IMPROVED AND ITS TRADE BALANCE WAS BETTER. FURTHER IMPROVEMENT IS EXPECTED.

30.24-2601

FINLAND'S NATIONAL PRODUCTION WENT UP AND SO DID WAGES. AN INCREASED VOLUME OF EXPORTS IS ANTICIPATED.
(SENT DEC. 3, 1961)
OB1230AES

A165 FOR YEAR END EDITIONS--PLEASE SAVE--THIS WILL NOT BE REPEATED.

ASIAN ECONOMIC (640)

BY CONRAD FINK

(ADVANCE)

TOKYO,

(AP)--MUCH OF NON-COMMUNIST ASIA MOVED

FORWARD ECONOMICALLY IN 1961.

ASSOCIATED PRESS CORRESPONDENTS STATIONED THROUGHOUT THE AREA REPORTED THAT IN MOST NATIONS WHERE GUNS WERE SILENT AND GOVERNMENTS STABLE DEFINITE ECONOMIC PROGRESS WAS MADE.

BUT IN THOSE NATIONS TORN BY CIVIL WAR OR RED AGGRESSION, ECONOMICS WAS A MATTER OF GETTING ENOUGH RICE TO STAY ALIVE AND NOT CHARTS DEPICTING INCREASED EXPORTS OR INDUSTRIALIZATION.

SOUTH VIET NAM WAS AN EXAMPLE. CONTINUING WAR AGAINST COMMUNISM, COUPLED WITH DISASTROUS FLOODS, RETARDED THE ECONOMIC DEVELOPMENT OF THAT SOUTHEAST ASIA NATION. IT APPEARED U.S. AID--PERHAPS EVEN DOUBLE 1961'S 250 MILLION DOLLARS--WOULD BE FUNNELED IN TO HELP STABILIZE THE PICTURE IN 1962.

COMMUNIST AGGRESSION THREW THE TINY JUNGLE NATION OF LAOS INTO TURMOIL AND THE VIENTIANE GOVERNMENT, FIGHTING TO STAY ALIVE, HAD LITTLE TIME FOR ECONOMIC DEVELOPMENT.

SOUTH KOREA, TECHNICALLY AT PEACE BUT POLITICALLY DISTURBED IN 1960, WAS SHAKEN AGAIN IN 1961 WHEN A MILITARY COUP OVERTHREW THE GOVERNMENT. SWEEPING REFORMS WERE PROMISED BY THE YOUNG SOLDIERS WHO TOOK OVER SEOUL IN MAY BUT AS THE YEAR ENDED THEY WERE FAR FROM DRASTICALLY IMPROVING THEIR COUNTRY'S LIVING STANDARD OR THE BUSINESS CLIMATE.

RED CHINA, BEHIND MUCH OF ASIA'S POLITICAL TROUBLES AND RESULTANT ECONOMIC DISLOCATION, APPEARED TO BE HAVING ITS OWN ECONOMIC WOES. PEIPING PUBLICLY BEAT ITS BREAST OVER NATURAL DISASTERS--FLOODS AND DROUGHTS--THAT WERE SLOWING THE "GREAT LEAP FORWARD."

REFUGEES TOLD OF NEAR-STARVATION CONDITIONS IN SOME RED CHINESE VILLAGES AND ECONOMIC TROUBLES IN OTHER COMMUNIST-DOMINATED AREAS.

JAPAN, THE INDUSTRIAL POWER OF THE FAR EAST, AGAIN SET THE PACE FOR NON-COMMUNIST ASIANS.

WITH JAPAN PROTECTED BY U.S. FORCES AND THEREFORE BEARING A RELATIVELY LIGHT DEFENSE BUDGET, PRIME MINISTER HAYATO IKEDA'S GOVERNMENT TALKED OF DOUBLING THE GROSS NATIONAL INCOME IN 10 YEARS.

FACTORIES AND MARKET PLACES BOOMED THROUGHOUT THE ISLAND NATION. EXPORTS AND DOMESTIC SALES INCREASED. SO DID PRICES AND RENTS.

SOME ECONOMISTS WARNED THINGS WERE MOVING TOO FAST. THEY POINTED TO A CONTINUING DROP IN JAPAN'S FOREIGN EXCHANGE RESERVES AND AN EXPORT-IMPORT IMBALANCE.

IKEDA'S GOVERNMENT REACTED BY HIKING THE OFFICIAL BANK RATE AND PROMISING TO PROMOTE EXPORTS--WHICH ALREADY HAVE MADE JAPAN A FORMIDABLE COMPETITOR FOR AMERICAN MANUFACTURERS IN MANY PARTS OF THE WORLD.

PEACE AND RELATIVE POLITICAL STABILITY AT HOME WERE NOT MATCHED BY GREAT ECONOMIC PROGRESS IN THE PHILIPPINES; 1961 WAS A SHAKY YEAR ECONOMICALLY.

INTERNATIONAL MONETARY RESERVES DROPPED DRASTICALLY AND BUSINESSMEN SHOWED UNCERTAINTY WHEN THE GOVERNMENT POSTPONED COMPLETION OF A PROGRAM TO ELIMINATE SOME EXCHANGE CONTROLS.

A RICE SHORTAGE HIT MANY FILIPINOS HARD AND CAUSED A CRISIS THAT FORCED THE GOVERNMENT TO IMPORT LARGE QUANTITIES FROM THAILAND. BUT THERE WAS A BRIGHT SPOT. AS A RESULT OF ITS DISENCHANTMENT WITH CUBA, THE UNITED STATES IMPORTED 1,470,000 SHORT TONS OF SUGAR FROM THE PHILIPPINES COMPARED WITH THE USUAL 980,000 TONS.

ELSEWHERE IN NON-COMMUNIST ASIA, THE ECONOMIC PICTURE WAS BRIGHT. FORMOSA'S ECONOMY APPEARED HEALTHY. WITH CONTINUING U.S. AID, THE NATIONALIST CHINESE GOVERNMENT STEADILY MOVED FORWARD ECONOMICALLY DESPITE A 3.5 PER CENT POPULATION INCREASE AND DEFENSE COSTS THAT ATE 50 PER CENT OF ALL GOVERNMENTAL REVENUE.

MALAYA HAD A RECORD ECONOMIC YEAR, ESSENTIALLY DUE TO EXPORTS OF RUBBER AND TIN. SOME ECONOMISTS WARNED THAT IF WORLD PRICES FOR THESE COMMODITIES FELL DRASTICALLY THE GOVERNMENT'S FIVE-YEAR DEVELOPMENT PLAN WOULD BE INTROUBLE.

THOUSANDS OF REFUGEES FROM RED CHINA CONTINUED TO CROSS THE BORDER INTO HONG KONG EVERY MONTH IN 1961, GIVING THAT OVER-POPULATED BRITISH CROWN COLONY SERIOUS ECONOMIC PROBLEMS. BUT HONG KONG PROSPERED ANYWAY.

EXPORT OF GARMENTS TO THE UNITED STATES DROPPED DRASTICALLY BUT OVERALL TRADE CONTINUED TO THRIVE. THE TOURIST INDUSTRY BOOMED AND THE SHIPPING INDUSTRY MAINTAINED A BUSY CLIP.

SINGAPORE HAD LABOR TROUBLES DURING 1961--50,000 UNEMPLOYED. BUT THE ECONOMIC PICTURE WAS STABLE AND THE RULING LEFTIST PEOPLE'S ACTION PARTY ANNOUNCED IT WOULD ENCOURAGE PRIVATE ENTERPRISE.

THE BORNEO TERRITORIES OF NORTH BORNEO, SARAWAK AND BRUNEI ENJOYED A FAVORABLE TRADE BALANCE DUE IN GREAT PART TO EXPORTS FROM BRUNEI'S OIL FIELDS. THE GOVERNMENT PRESSED AHEAD WITH MEASURES TO DIVERSIFY THE TERRITORIES' OIL-AGRICULTURAL ECONOMY.

(SEND DEC. 3, 1961)

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